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STATE FOR WHA/BSC AND EB/IFD/OIA
STATE PASS TO USAID FOR LAC/AA
STATE PASS TO USTR FOR LYANG
NSC FOR SUE CRONIN
TREASURY FOR OSIA MAUREEN WAFER
TREASURY FOR OTA WARFIELD, VAN KOCH, MILLAR
COMMERCE FOR ITA SARAH COOK
SOUTHCOM FOR POLAD

E.O. 12958: N/A

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SUBJECT: PARAGUAY POLITICAL AND ECONOMIC UPDATE, JULY 1 - 7
2006

1. (U) SUMMARY:

- National Indigenous Movement
- Sexual Harassment in Military Academy
- 1,500 Paraguayan Prostitutes in Spain
- Fiscal Adjustment Law Effects Positive on Economy
- Drug Judge Talks with Ambassador about Safety

National Indigenous Movement

2. (U) On 6/30, leaders from Paraguay's ten indigenous nations announced the founding of a National Indigenous Movement. The goal is to demand their rights and work towards gaining representation in Congress. The leaders hope to present a candidate in the next general elections. They feel it is especially important to have indigenous representation within the legislative branch because politicians from other parties have made offers to the communities during election times but failed to produce any significant improvement once in office. The indigenous people feel ignored by the government and do not have real access to the political system or other public services such as health care and education. The first convention of the new movement is scheduled for September 2006. According to the 2002 census, the indigenous population is 87,099, which represents 1.7 percent of the country's population.

3. (U) Comment: Local human rights activists and international organizations confirm that indigenous groups do not have good access to the political system, and that government officials have generally neglected their needs as their living conditions continue to deteriorate. In the department of Boqueron in the Chaco where the indigenous are most highly concentrated, the groups are well organized and have gained government representation and funding on a local level. There is a federation in the Chaco that incorporates several of the country's 20 indigenous ethnicities. Experts describe it as well organized though it comprises less than 80 percent of the indigenous population. The Paraguayan Institute of Indigenous People (INDI) is the only institution

for indigenous people that receives limited funding from the government. The indigenous groups do not enjoy direct representation in the INDI; the president of the INDI is appointed by the president of the country.

Sexual Harassment in Military Academy

¶4. (U) On 7/4, opposition senators complained to President Duarte about the lack of action in cases involving the sexual harassment of several women in the Mariscal Francisco Solano Lopez Military Academy (Academil). On 5/2, senators had gone to the Academy to hear the testimony of several female cadets at the academy who said they had been sexually assaulted by their superiors. One woman was reportedly expelled for having an abortion. Senator Ana Maria Mendoza de Acha of the Beloved Fatherland Party (PPQ) noted that two months had passed since ten cases were confirmed and the director of the school, Col. Ramon Brozzon Bareiro, had been called before the Human Rights commission to address this matter. Yet still no action had been taken.

1,500 Paraguayan Prostitutes in Spain

¶6. (U) On 7/5, Gustavo Gomez Comas, the Chief of Paraguay's Mission in Spain, announced there are 1,500 Paraguayan prostitutes in Spain. He maintained that the Paraguayan Embassy in Spain cannot intervene if the woman is not a minor and is working according to her free will. Gomez Comas noted that there are approximately 50,000 Paraguayans living in Spain, half of whom do not have the proper legal documents. According to Vice Foreign Minister Luis Morinigo 1,105

Paraguayans were either deported, detained, or expelled from Spain from January to June 2006. That sum includes 650 that were not admitted to the country and deported, 223 that were detained, and 232 that were expelled from the country.

Fiscal Adjustment Law Effects Positive on Economy

¶7. (U) Paraguay's Fiscal Adjustment Law, passed in 2005, created a personal income tax which became effective for the first time this year. The law and its implementation by the tax administration are having a measurable effect on tax compliance and formalization of the Paraguayan economy. The number of registered contributors has been consistently growing since 2002. Growth continues to accelerate with 39,000 new contributors registered in the first six months of this year, an 11.9 percent increase in registration. A large percentage of new registrants were previously in the informal sector. The income tax allows for the deduction of virtually all spending and was designed mainly as an incentive for taxpayers to demand legal receipts for their purchases, which in turn compels businesses to request legal receipts from their suppliers to reduce their own tax burden, leading to much higher levels of formal activity. The legal receipts are issued in numbered pads that can be easily audited by the tax authorities. The Finance Ministry reports a 19.9 percent increase in taxes collected in the first half of 2006 compared with the same period of last year and the amount collected exceeds the total collected in all of 2002.

Drug Judge Talks with Ambassador about Safety

¶8. (U) On 7/7, Alba Ma. Gonzalez Rolon, the judge who will hear the drug case of Arnaldo Moreira de Macedo, talked to the Ambassador in the office of Senator Armando Espinola, of the Authentic Radical Liberal Party (PLRA), regarding her concerns about her safety and that of her family. She indicated that she has already received threats. The case is

expected to be adjudicated in October 2006. The Ambassador conveyed U.S. Embassy support for her efforts and stressed the importance we attach to a just rendering of this case. (NOTE: Macedo is an associate of Ivan Mendez Mesquita, who was extradited to the U.S. in June 2005. End Note.)
CASON